

**MINUTES OF THE
CAPITAL FACILITIES & GOVERNMENT OPERATIONS
APPROPRIATIONS SUBCOMMITTEE MEETING
TUESDAY, JANUARY 12, 2010, 9A.M.
Room 250 Capitol Building**

Members Present: Sen. Curtis Bramble, Co-Chair
Rep. Stephen Clark, Co-Chair
Sen. Wayne Niederhauser
Rep. Stephen Sandstrom
Rep. Laura Black
Rep. Janice Fisher
Rep. Craig Frank
Rep. Gage Froerer
Rep. Fred Hunsaker

Member Excused: Sen. Brent Goodfellow

Member Absent: Rep. Brad Dee

Staff Present: Richard Amon, Fiscal Analyst
Gary Ricks, Fiscal Analyst
Henry Liu, Committee Secretary

Public Speakers Present: Gregg Burton, Director, DFCM
Bob Thompson, Administrator, CSRB
Jeff Herring, Executive Director, DHRM
Kim Hood, Director, DHS
John Rudhead, CFO, DHS
Kent Burs, Director, DHS
Allyson Gamble, Director, CPB
Steve Fletcher, Director, DTS

Visitor List on File

Co-Chair Bramble called the meeting to order at 9:15 a.m.

1. **Summary of Budget & Executive Appropriations**— Fiscal Analyst, Richard Amon, presented the focus of the meeting detailing the shortfall of \$194 million or 4% reduction in FY of 2010.

Mr. Amon reported that the executive appropriation set aside 98% base budget for FY 2010 of \$88 million towards the shortfall of FY 2011. However a 95% base budget is allocated to the subcommittee, in turn the work of the subcommittee is to come up with

5% funds to address the 2% shortfall, which allow for more fiscal options.

Analyst Amon reviewed the budget in PowerPoint presentation detailing the reductions and projections.

2. **Subcommittee and Agency overview for FY 2010**— Fiscal Analyst, Gary Ricks, highlighted the various agency budget reduction at the 4% level to balance out FY 2010 on-going General Fund. For Capital Preservation Board \$130,300 reduction, Career Service Review Board \$9,100 reduction, Department of Administrative Services \$543,100 reduction, Department of Human Resource Management \$122,900 reduction and Department of Technology Services \$72,000 reduction. The total Capital and Debt Service contribution to the reduction amount to \$4,977,100.
3. **Capital and Debt Service**— Analyst Amon, explained, 85% of the General Fund and Education Fund in our subcommittee come out of Debt Service and Capital Improvement. There is no money ongoing in capital developments. So the only capital money available for capital budgets is in Capital Improvements.

The way the allocation works, out of \$5,854,500 from the Executive Appropriation Committee only \$877,000 come from the subcommittees that attribute to that total, the rest comes from Debt Services and Capital Improvements. Analyst Amon strongly attest that there should be no cuts to Debt Services. But recommending the amount of \$4,977,100 reduction to Capital Improvements.

The statute for capital developments required the committee to fund Capital Improvements at a level of 1.1% of the replacement value of buildings. Last year it was funded at .7%, far from where it should be, the reduction of \$4,977,100 will bring down the amount to .65%. Aside from Capital Improvements there are no other areas in terms of cutting agency budgets.

Analyst Amon continued to elaborate on two reserve funds for capital development, there's a "project reserve fund" and "contingency reserve fund". Analyst Amon explains, when a project is bid out, there are savings on bids, at the end of the project the residuals go into the "project reserve fund". And for every project a 4%-9% is set aside for the contingency reserve fund for unpredictable measures during construction, Analyst Amon urges that a single project can be easily wiped out the fund, which is something to consider.

Project reserve fund however is a more stable revenue stream and isn't seeing bid overages due to the nature of the construction environment. Talking with the DFCM, Analyst Amon is confident that a one-time cut of \$5 million from the fund won't hurt the fund and still leave flexibility. This could be an option to cover the deficit to Capital Improvement in FY 2010, it could be allocated to other priorities or it could be return back to the Executive Appropriations Committee, Analyst Amon Explained.

Sen. Clark inquired about the total amount being eliminated from the .9 to the .85 in Capital Improvements.

Analyst Amon explained the statute states a 1.1% replacement value of buildings, risk management determines that value. The total value of 1.1% in FY 2011 will be \$90.8 million fully funded. The statute also states that in a budget crisis it can be funded at the .9% level. This FY it will be funded at \$74.3 million but at the base budget of \$55.6 million in terms of .7% replacement value and with a \$5 million reduction, further pushed that number to \$49.4 million at .65%

Being well below the statutory requirement of .9%, Analyst Amon explained that the Legislator did exempt themselves from the requirement last year. The committee isn't obligated to meet that requirement for one year.

4. **Facilities and Construction management**— Gregg Buckston, Director of FCM encouraged the board to look closely at taking money out of the Project Reserve Fund, even though there may be money in the project reserve, there are still a lot of projects last year that were put on hold that still need money from the project reserve to complete.

After budget cuts, the Project Reserve Fund received \$55 million, \$15 million went into replacement of buildings and money taken from the year before. In addition to the considered \$5 million reduction, that leaves the fund with \$35 million for building improvements. Mr. Buckston's concern is that with projects already on the back burner and more projects in the future that amount won't cover the growing cost.

5. **Career Service Review Board**—Bob Thompson, the Administrator for CSRB, is concerned with budget reductions with the already strained two person staff. Budget cuts to hearing officers is a concern because employees are allowed by statute a guaranteed hearing if there's no funding, time lines can't be met or hearings will be put off which run into a violation of the statute.

Court and witness fees are costly and can prevent or slow the process of an already stretched workload with a reduced budget. An accurate statement confirmed by MR. Thompson asked by Sen. Bramble "if you didn't do your work well the liability of the state can be dramatically and substantially and materially increased". It's much cheaper to litigate at the administrative level than go to the alternative option, district court.

Rep. Hunsaker inquired about the workload of last year. Mr. Thompson states to his surprise there were no increases to grievances but actually a decrease.

Rep. Fisher inquired about the amount of furlough days a two person staff has. Mr. Thompson responded that furlough days are problematic to a strained staff but attains the number at 5-10 furlough days.

Rep. Clark inquired if the board looked into any other ways of holding hearings. Mr. Thompson explained that in the past by rule not statute, if an employee is given a hearing and loses, the cost is divided between the CSRB and the appeals side. To cut down those cost, the board drafted a new rule that if the non-prevailing party loses the case and goes to appeal, the party has to pay the full transcription cost. This new drafted rule resulted in savings for the board.

Rep. Fisher inquired about the new rule and how close the board is to denying due process. Mr. Thompson explained depending on the cases, whether the employee comes up the capital, taking the cases further is always an option but impossible to know if they want to escalate because of a lost of ability to present their argument.

MOTION: Rep. Clark moved to approve the minutes of the Capital Facilities & Government Operations Joint Appropriations Subcommittee for February 12, 2009.

The motion passed unanimously.

Introduced the Capital Facilities & Government Operations Appropriation committee.

6. **Department of Technology Services**— Steve Fletcher, Director of the DTS, explained the aspect of the areas in budget DTS utilized. First, the appropriated project, Omnilink for communicating to first responders. This is a software, hardware and circuits which communicates with multiple sources using a fixed cost. If cost is reduced for this service, the coverage is limited causing law enforcement and first responders a delayed response.

Second the CIO office, Mr. Fletcher explained it's a small operations office. Last year it reduced one of it's employee to maintain the budget reduction. The office is aim at delaying purchasing and reducing discretionary funds. The office is also required to do a rate analyses to compare analyses to ensure competitiveness. AGRC under DTS, its function of integrated service will also delay purchases and undergo a delay in updating of the database due to the budget constraints. The work on the 911 fund will also be delayed to balance the budget.

Rep. Frank inquired if DTS looked into any other areas other than law enforcement to cut budgets and how the decision came about. Mr. Fletcher responded that it's an appropriated amount, a fixed cost put into the budget to support the project. There are no labor cost, travel cost, discretionary cost or office cost associated with the budget. It is a single amount to support the hardware, software and equipment to assist with law enforcement and first responders. The cut isn't single out towards law enforcement but to the service itself. The decision came from Mr. Fletcher himself as Director to balance the budget.

Rep. Clark asked to detail Omnilink's use. Mr. Fletcher explained that Omnilink is a radio network universally integrated with local city and counties as a communications system that can be utilized by all of Utah. Which isn't charging the public for its use. Reason being the local public can't afford or don't want to pay for the services but the services' purpose is to be statewide and provide first responder assistance so the public can't be depended on subsidizing Omnilink.

7. **Department of Human Resources Management**— Jeff Herring, Executive Director of DHRM, explained that the majority use of the budget is towards personal services, a labor intensive department responsible for supporting the mission of other agencies. DHRM see to areas of recruitment, classification, compensation, workforce planning, training, development, performance management and discipline.

Mr. Herring stated that in 2007, the department had 27 FTE, going along with the 4% one time cut, adding on 1.5% of a stretched workforce. In FY 2010 the department went down to 18 employees, with another 1.5 FTE, bringing the employee number down to 16.5. Another 5% in reduction of on-going money for FY 2011 resulting in a decrease of two FTE, bringing the total reduction of a 4 year span to 40.7% or 11 FTE of the workforce. And yet still maintaining high customer service and moral with an increase of workload per employee.

8. **Department of Administrative Services**— Kim Hood, Executive Director, DAS, and John Rudhead, CFO presented a framework to work within a reduced budget. Ms. Hood's framework started with streamlining and improving efficiency in the department, protect some of the non-lapsing balances to move toward automation, protect jobs in the department and provide critical programs to maintain customer service high. Ms. Hood also asked her senior management to take furloughs of two, one-half days to contribute to the balancing of the budget. The framework is to start at the top of management to protect jobs of those employees with lower salaries.

An option of early retirement was offered to employees to off-set the cuts, an incentive of \$8,000 was offered for early retirement but there were no takers on the appropriated side.

Mr. Rudhead, CFO of the department continues with presenting the reductions and plans to balance the budget. Mr. Rudhead states that severe cuts to the rules and achieves is a subject of protection from further reductions. The main area of cuts in the BFCM department, is aimed at saving time for project managers and reduced travel expenses.

Under finance, last year there were efficiencies that the department wanted to carry over such as storage cost and savings. But there are system costs and charges of BTS that hurt the department. The Judicial Conduct Commission is taking on a 5% cut. And under purchasing, a concern of an already limited staff to do the job reported that they may have found a source of WSCA contracts that could generate revenue.

Kent Beers, Director of State Division of Purchasing further elaborated the Western State Contracting Alliance, where 15 states are combined to create purchasing power for better quality goods and terms of contracts. Mr. Beers stated that in certain cases being a lead state of some of those administering contracts, WSCA will reimburse the state for our time spent by our purchasing agents. Prior meeting, WSCA agreed to give additional reimbursement to the State for the contracts being administered.

9. **Capital Preservation Board**—Allyson Gamble, Director of CPB, stated that there will be a reductions to professional services on the hill. The budget amount of \$5,000 for services is reviewed and the remaining capital is eliminated.

Current contract with dining services is being eliminated and won't be renewed, ending March 31st. The replacement program on hill for food services will be self-sustaining culinary arts program from SLCC, the only accredited program in the State. Interns will be fulfilling a 2000 hours internship. Full responsibilities from the front of the house to the back, focusing on menu planning and nutrient.

The amount money from the vacating position of the executive director's salary will be utilized. Wi-fi expenses is intact due to no problems which will be taken out before the session.

Ms. Gamble is also met with DFCM about reductions to meet the overall goal of \$130,300.

Ms. Gamble confidently reported that with the close out of the capital project her department is able to return \$800,000 back to the committee. Not including last year's total of \$644,000.

Sen. Bramble asked about maintenance of the grounds. Ms. Gamble stated with the help from DSCM, it has taken a reduction on the workforce. The use of Obama stimulus, aided in hiring of 20 interns in the summer to work on the maintenance of the ground. Not at the cost of DSCM or Capitol Preservation. Volunteer Boy Scouts also worked on the maintaining the grounds.

Ms. Gamble stated that last year, money was taken away from the maintenance portion of the budget, which hasn't been reinstated for this year, so DSCM is not charging the full rate to the Capitol Preservation board in turn helping with the budget cuts.

MOTION: Rep. Black moved to adjourn.

The meeting was adjourned at 10:55 a.m. by Co-Chair Bramble.

The minutes were reported by Henry Liu.